

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Trout Lake Township	County Chippewa
Fiscal Year End June 30, 2006	Opinion Date August 18, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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1

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma		License Number 1101024989

TROUT LAKE TOWNSHIP

BASIC FINANCIAL STATEMENTS

June 30, 2006

TROUT LAKE TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

RONALD MCMILLAN

TOWNSHIP TREASURER

GRACE WATSON

TOWNSHIP CLERK

CRYSTAL WILLOBEE

TOWNSHIP TRUSTEE

ROBERT SIMPSON

TOWNSHIP TRUSTEE

EDSEL ROBINSON

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of and for the year ended June 30, 2006, which collectively comprises the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of or audit.

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 18, 2006

Basic Financial Statements

Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 408,944
Taxes Receivable	4,860
Due from Other Units	1,950
Prepaid Expenses	<u>12,983</u>
TOTAL CURRENT ASSETS	<u>428,737</u>
 Non-current Assets	
Capital Assets	<u>5,786</u>
TOTAL ASSETS	<u><u>\$ 434,523</u></u>
 LIABILITIES:	
Current Liabilities	
Accounts Payable	\$ 2,478
Accrued Liabilities	2,376
Deferred Revenue	<u>17,864</u>
TOTAL CURRENT LIABILITIES	<u>22,718</u>
 Long-term Liabilities	
Notes Payable	<u>15,000</u>
TOTAL LIABILITIES	<u>37,718</u>
 NET ASSETS:	
Invested in Capital Assets	5,786
Unrestricted	<u>391,019</u>
TOTAL NET ASSETS	<u><u>\$ 396,805</u></u>

Trout Lake Township, Michigan

Statement of Activities For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
General Government	\$ 99,469	\$ 100	\$ (99,369)
Public Safety	5,054	-	(5,054)
Public Works	5,844	-	(5,844)
Health & Welfare	7,182	8,285	1,103
Recreation & Culture	37,370	51,147	13,777
Other Expenses	16,812	-	(16,812)
Total Governmental Activities	<u>\$ 171,731</u>	<u>\$ 59,532</u>	(112,199)
General Revenues:			
Taxes			64,881
State Revenue Sharing			31,784
Local - General			23,170
Investment Earnings (Loss)			<u>8,351</u>
Total General Revenues			<u>128,186</u>
Changes in Net Assets			15,987
Net Assets - Beginning			373,104
Prior Period Adjustment to record capital assets			<u>7,714</u>
Net Assets - Ending			<u>\$ 396,805</u>

Trout Lake Township, Michigan

Balance Sheet Governmental Funds June 30, 2006

	General Fund	Ambulance Fund	Fire Fund	Debt Retirement Fund	Building Fund	Non-Major Fund Budget Stabilization Fund	Total Governmental Funds
ASSETS:							
Cash & Equivalents	\$ 201,467	\$ 13,670	\$ 3,460	\$ 17,864	\$ 158,712	\$ 13,771	\$ 408,944
Due from Other Funds	3,672	6,108	-	-	-	-	9,780
Taxes Receivable	-	2,430	2,430	-	-	-	4,860
Due from Governmental Units	501	-	-	-	-	-	501
Prepaid Expenditure	12,983	-	-	-	-	-	12,983
TOTAL ASSETS	\$ 218,623	\$ 22,208	\$ 5,890	\$ 17,864	\$ 158,712	\$ 13,771	\$ 437,068
LIABILITIES:							
Accounts Payable	\$ 2,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,478
Accrued Liabilities	2,376	-	-	-	-	-	2,376
Due to Other Funds	-	-	5,795	-	2,536	-	8,331
Deferred Revenue	-	-	-	17,864	-	-	17,864
TOTAL LIABILITIES	4,854	-	5,795	17,864	2,536	-	31,049
FUND BALANCES:							
Unreserved:							
Undesignated	213,769	22,208	95	-	-	-	236,072
Designated	-	-	-	-	156,176	13,771	169,947
TOTAL FUND BALANCES	213,769	22,208	95	-	156,176	13,771	406,019
TOTAL LIABILITIES AND FUND BALANCES	\$ 218,623	\$ 22,208	\$ 5,890	\$ 17,864	\$ 158,712	\$ 13,771	
Add: Capital Assets							5,786
Less: Notes Payable							(15,000)
Net assets of governmental activities							\$ 396,805

See accompanying notes to financial statements.

Trout Lake Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2006

	General Fund	Ambulance Fund	Fire Fund	Debt Retirement Fund	Building Fund	Non-Major Fund Budget Stabilization Fund	Totals Governmental Funds
REVENUES:							
Taxes	\$ 60,021	\$ 2,430	\$ 2,430	\$ -	\$ -	\$ -	\$ 64,881
State Sources	32,823	500	-	-	-	-	33,323
Charges for Services	52,227	8,285	-	-	-	-	60,512
Interest & Rentals	7,827	205	41	-	118	160	8,351
Contributions	-	100	1,478	-	-	-	1,578
Other Revenue	14,493	4,575	-	-	5	-	19,073
TOTAL REVENUES	167,391	16,095	3,949	-	123	160	187,718
EXPENDITURES:							
General Government	99,469	-	-	-	-	-	99,469
Public Safety	1,200	-	3,854	-	-	-	5,054
Public Works	5,844	-	-	-	-	-	5,844
Health & Welfare	-	5,254	-	-	-	-	5,254
Recreation & Cultural	37,370	-	-	-	-	-	37,370
Other	16,301	-	-	-	511	-	16,812
TOTAL EXPENDITURES	160,184	5,254	3,854	-	511	-	169,803
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,207	10,841	95	-	(388)	160	17,915
OTHER FINANCING SOURCES (USES):							
Loan Proceeds	-	-	-	-	15,000	-	15,000
Operating Transfer In	-	-	-	-	136,534	-	136,534
Operating Transfer Out	(136,534)	-	-	-	-	-	(136,534)
TOTAL OTHER FINANCING SOURCES (USES)	(136,534)	-	-	-	151,534	-	15,000
NET CHANGE IN FUND BALANCE	(129,327)	10,841	95	-	151,146	160	32,915
FUND BALANCES, JULY 1	343,096	11,367	-	-	5,030	13,611	373,104
FUND BALANCES, JUNE 30	\$ 213,769	\$ 22,208	\$ 95	\$ -	\$ 156,176	\$ 13,771	\$ 406,019

See accompanying notes to financial statements.

Trout Lake Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2006

Net Changes in fund balances – total governmental funds	\$ 32,915
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The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expense.	(1,928)
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Governmental funds report note proceeds as other financing sources. However, borrowings increased long-term liabilities in the statement of net assets.	<u>(15,000)</u>
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Changes in net assets of governmental funds	<u>\$ 15,987</u>
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**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006**

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Cash Equivalents	<u>\$ 5,867</u>
 TOTAL ASSETS	 <u><u>\$ 5,867</u></u>
LIABILITIES:	
Due to Other Funds	\$ 1,449
Due to Others	<u> 4,418</u>
 TOTAL LIABILITIES	 <u><u>\$ 5,867</u></u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trout Lake Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Financial Reporting Entity:

Trout Lake Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment, and development, and health services.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Trout Lake Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Trout Lake Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Trout Lake Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Trout Lake Township as of the preceding December 31st.

Although the Trout Lake Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Trout Lake Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Trout Lake Township totaled \$19,415,400, on which ad valorem taxes levied consisted of 1.5534 mills for the Township Operating and .9200 mills for Township Hall Debt Retirement. This amount is recognized in the General Fund and Debt Service Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ambulance Fund

This fund accounts for Ambulance services to residence of Trout Lake Township.

Fire Fund

This fund accounts for fire services to residence of Trout Lake Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Fund

This fund accounts for the planning of the new Township Hall.

Additionally, the Township reports the following funds:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The Township Board created a budget for fiscal year 2006, however the budget was not formally approved by the Board. (See Note 8).

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 408,944	\$ 5,867
Total	<u>\$ 408,944</u>	<u>\$ 5,867</u>

The Township's deposits are located in one local financial institution. Deposits are carried at cost.

	<u>Governmental</u>	<u>Fiduciary</u>
Deposits:		
Checking and Savings	\$ 382,384	\$ 5,867
Certificate of Deposit	<u>26,560</u>	<u>-</u>
Total	<u>\$ 408,944</u>	<u>\$ 5,867</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit risk. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$320,438 of the Township's bank balance of \$420,438 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 180,747	\$ -	\$ -	\$ 180,747
Machinery and equipment	<u>39,150</u>	<u>-</u>	<u>-</u>	<u>39,150</u>
Subtotal	<u>219,897</u>	<u>-</u>	<u>-</u>	<u>219,897</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(180,747)	-	-	(180,747)
Machinery and equipment	<u>(31,436)</u>	<u>(1,928)</u>	<u>-</u>	<u>(33,364)</u>
Subtotal	<u>(212,183)</u>	<u>(1,928)</u>	<u>-</u>	<u>(214,111)</u>
Net Capital Assets Being Depreciated	<u>\$ 7,714</u>	<u>\$ (1,928)</u>	<u>\$ -</u>	<u>\$ 5,786</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Health and Welfare	<u>\$ 1,928</u>
Total Governmental Activities	<u>\$ 1,928</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

	DUE TO OTHER FUNDS		
	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
DUE FROM OTHER FUNDS			
Fire Fund	\$ -	\$ 5,795	\$ 5,795
Building Fund	2,223	313	2,536
Agency Fund	<u>1,449</u>	<u>-</u>	<u>1,449</u>
Total	<u>\$ 3,672</u>	<u>\$ 6,108</u>	<u>\$ 9,780</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

Interfund Transfers:

TRANSFERS IN	TRANSFERS OUT
	General Fund
Construction Fund	\$ <u>136,534</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

At the end of the fiscal year the Township began drawing on a USDA loan of \$300,000 with an interest rate of 4.125% for 30 years. The loan proceeds will be used to construct a new Township Hall. At year end \$15,000 of loan proceeds were drawn down.

NOTE 7 - RISK MANAGEMENT:

The Township of Trout Lake is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen's compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen's compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

NOTE 9- BUDGET VIOLATIONS:

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government	\$ 68,251	\$ 99,469	\$ (31,218)
Transfers Out	-	136,534	(136,534)
Other Expenditures	7,550	16,301	(8,751)
Ambulance Fund:			
Health and Welfare	1,000	5,254	(4,254)
Fire Fund:			
Public Safety	2,500	3,854	(1,354)

Required Supplemental Information

Trout Lake Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 60,428	\$ 60,428	\$ 60,021	\$ (407)
State Sources	32,487	32,487	32,823	336
Charges for Services	60,270	60,270	52,227	(8,043)
Interest & Rentals	2,250	2,250	7,827	5,577
Other Revenue	5,000	5,000	14,493	9,493
TOTAL REVENUES	160,435	160,435	167,391	6,956
EXPENDITURES:				
General Government:				
Supervisor	-	-	3,600	(3,600)
Treasurer	-	-	3,960	(3,960)
Clerk	-	-	3,594	(3,594)
Trustees	13,306	13,306	23,700	(10,394)
Assessor	12,515	12,515	10,522	1,993
Township Hall	17,980	17,980	19,878	(1,898)
Elections	-	-	486	(486)
Insurance	15,000	15,000	15,884	(884)
Professional	9,450	9,450	16,646	(7,196)
Cemetery	-	-	1,199	(1,199)
Total General Government	68,251	68,251	99,469	(31,218)
Public Safety:				
Inspections	1,200	1,200	1,200	-
Total Public Safety	1,200	1,200	1,200	-
Public Works:				
Road Work	17,500	17,500	5,844	11,656
Total Public Safety	17,500	17,500	5,844	11,656
Recreation and Culture:				
Park	38,210	38,210	37,370	840
Total Recreation and Culture	38,210	38,210	37,370	840
Other Expenditures:				
Miscellaneous	7,550	7,550	16,301	(8,751)
Total Other Expenditures	7,550	7,550	16,301	(8,751)
TOTAL EXPENDITURES	132,711	132,711	160,184	(27,473)
EXCESS OF REVENUES UNDER EXPENDITURES	27,724	27,724	7,207	(20,517)

Trout Lake Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Operating Transfer Out	-	-	(136,534)	(136,534)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(136,534)	(136,534)
NET CHANGE IN FUND BALANCE	<u>\$ 27,724</u>	<u>\$ 27,724</u>	(129,327)	<u>\$ (157,051)</u>
 FUND BALANCE, JULY 1			<u>343,096</u>	
 FUND BALANCE, JUNE 30			<u>\$ 213,769</u>	

Trout Lake Township, Michigan**Required Supplemental Information
Budgetary Comparison Schedule
Ambulance Fund
For the Year Ended June 30, 2006**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ -	\$ -	\$ 2,430	\$ 2,430
State	-	-	500	500
Charges for Services	-	-	8,285	8,285
Interest & Rentals	-	-	205	205
Other	-	-	4,675	4,675
TOTAL REVENUES	-	-	16,095	16,095
EXPENDITURES:				
Health and Welfare	1,000	1,000	5,254	(4,254)
TOTAL EXPENDITURES	1,000	1,000	5,254	(4,254)
EXCESS OF REVENUES OVER EXPENDITURES	(1,000)	(1,000)	10,841	11,841
OTHER FINANCING SOURCES (USES):				
Operating Transfer Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ (1,000)	\$ (1,000)	10,841	\$ 11,841
FUND BALANCE, JULY 1			11,367	
FUND BALANCE, JUNE 30			\$ 22,208	

Trout Lake Township, Michigan**Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 2,430	\$ 2,430
Interest & Rentals	-	-	41	41
Contributions	-	-	1,478	1,478
TOTAL REVENUES	-	-	3,949	3,949
EXPENDITURES:				
Public Safety	2,500	2,500	3,854	(1,354)
TOTAL EXPENDITURES	2,500	2,500	3,854	(1,354)
EXCESS OF REVENUES OVER EXPENDITURES	(2,500)	(2,500)	95	2,595
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>	95	<u>\$ 2,595</u>
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			<u>\$ 95</u>	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trout Lake Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board
Trout Lake Township, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trout Lake Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 06-1.

We also noted certain additional matters that we reported to management of Trout Lake Township in a separate Letter dated August 18, 2006.

This report is intended solely for the information and use of the Board, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 18, 2006

Section II – Financial Statement Findings

Reportable Conditions – Non-Compliance

Excess Expenditures Over Appropriations

Finding 06-1

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended June 30, 2006, the Township incurred expenditures in excess of amounts appropriated as shown in Note 7 of the financial statements.

Effect: The Township has not complied with various State Statutes.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Board should monitor and amend the budget as deemed necessary.

- Contact Person(s) Responsible for Correction:
Ronald McMillan, Township Supervisor
- Corrective Action Planned:
The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
The corrective procedures are in place.



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REPORT TO MANAGEMENT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the financial statements of the Trout Lake Township for the year ended June 30, 2006, and have issued our reports thereon dated August 18, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Trout Lake Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Trout Lake Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Trout Lake Township's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trout Lake Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of Trout Lake Township, for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Tax Collections (prior comment)

The Township did not disburse tax collections within 10 business days of collection. It is recommended the Township distribute tax collections to the appropriate local unit within the 10 business day disbursing requirement.

Investment Policy (prior comment)

The Township has not adopted an investment policy in accordance with Michigan Public Act requirements. We recommend the Township adopt an investment policy.

Management's Discussion and Analysis (prior comment)

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Tax Receipts (prior comment)

Tax receipts are all coded to revenue currently. Only the township portions should be recorded in revenues. It is recommended that when entering tax receipts the treasurer should code that deposit against the due to other governmental units account. When depositing the Township portion, code this item to current tax revenue.

Conflict of Interest Policy/Competitive Bid Policy (prior comment)

The board should adopt a conflict of interest policy to provide a procedure to be followed when conflicts occur relative to voting on matters with related persons. A competitive bid policy should also be implemented with procedures to be followed when requesting bids for larger Township expenditures.

Accrual Basis of Accounting (prior comment)

Accrual accounting needs to be implemented into the accounting system to be sure all deposits/disbursements are posted in the period the income/expense was incurred.

Bank Deposits(prior comment)

The bank deposit slip should be completed by an individual independent of the individual who actually deposits the money into the bank. It is recommended that the individual opening the mail record each check received on a bank deposit slip. A separate individual should then take the deposit slip and checks/cash to the bank.

Petty Cash (prior comment)

It was noted that the petty cash fund at the ambulance is not recorded on the Township records. It is recommended the imprest amount (\$100.00) be recorded in the cash section of the general ledger. When the fund is replenished, the activity should also be recorded on the Township books.

Budget Violations

The Fire fund had a budget adopted that had expenditures in excess of revenues and beginning fund balances. PA 621 of 1978 requires that all funds have a balanced budget adopted.

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Conclusion

We will review the status of these comments during our next audit engagement. The comments and recommendations have already been discussed with the Treasurer. We would be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information of the Board of Trustees, Trout Lake Township, management, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 18, 2006